

## Message Text

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PAGE 01 VALLET 02055 181819Z

70

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 PM-07 INR-10 L-03 NEA-10

NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15 TRSE-00

SAJ-01 AID-20 EB-11 NSC-10 CIEP-02 SS-20 STR-08

OMB-01 CEA-02 DODE-00 COME-00 H-03 XMB-07 DRC-01 /166 W  
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R 161550Z OCT 73

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 4856

INFO HUD WASHDC

AMCONSUL STRASBOURG

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO

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E.O. 11652: AD DECLAS 10/16/74

TAGS: EAID, MT, COE, EFIN

SUBJ: COUNCIL OF EUROPE LOAN AND GOM FINANCE POLICY

REF: VALLETTA 1108

1. SUMMARY. MINFIN AND CUSTOMS ABELA ANNOUNCED IN PARLIAMENT  
OCTO.15 ONE MILLION MALTA POUND (ONE MALTA POUND EQUALS APPROXIMATELY  
2.83 DOLLARS) LOAN FROM RESETTLEMENT FUND OF COUNCIL OF EUROPE.  
LOAN IS FOR FIFTEEN YEARS AT THREE PERCENT INTEREST WITH FIVE  
YEAR GRACE PERIOD. PRINCIPAL REPAYABLE AT RATE 100,000 MALTA  
POUNDS PER YEAR OVER TEN YEARS. LOAN TO BE USED IN GOM  
SLUM CLEARANCE PROJECT. END SUMMARY.

2. IN PREPARED STATEMENT ABELA NOTED THAT MALTA JOINED FUND ON  
MARCH1 THIS YEAR AND IMMEDIATELY APPLIED FOR BENEFITS. GOVERNOR  
OF FUND VISITED MALTA LAST JUNE (SEE RELTEL) AT WHICH TIME  
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PAGE 02 VALLET 02055 181819Z

SOFT LOAN WAS OFFERED BUT REJECTED BY GOM AS BEING "TOO

SMALL TO HAVE A GOOD EFFECT ON OUR ECONOMY AND SOCIAL NEEDS."  
ACCORDING TO ABELA, GOM SUGGESTED FUND BE GIVEN FACILITY TO RAISE  
LOAN MONEY WITH LOCAL BANKS ON CONDITION FUND LEND MALTA GREATER  
SUM THAT ONE OFFERED AND AT CONCESSIONAL INTEREST RATE OF THREE  
PERCENT. "IN THIS WAY TWO OBJECTIVE WERE ACHIEVED. FIRST,  
WE OBTAINED FOR MALTA NECESSARY AID IN THE FORM OF A LOAN  
AT A LOW RATE OF INTEREST AND, SECONDLY, WE GAVE AN OPPORTUNITY  
TO THE BANK SECTOR TO INVEST ITS MONEY PROFITABLY OVERSEAS  
UNTIL A SUFFICIENTLY SOUND LOCAL INDUSTRIAL BASIS  
IS FORMED TO ABSORB THE BANKS' EXCESS  
LIQUIDITY."

3. ABELA CONCLUDED STATEMENT BY NOTING THAT PROCEEDS OF LOAN  
WILL BE USED FOR NEW BUILDING PROJECT REPLACING SLUMS AND THAT  
WHEN COMPLETED RENT WILL SERVE TO AMORTIZE LOAN.

4. COMMENT: THIS APPEARS TO BE ONE MORE EXAMPLE OF GOM'S  
DETERMINATION DRAW ON ALL POSSIBLE INTERNATIONAL SOURCES OF  
FUNDING TO MEET ITS SEVEN YEAR DEVELOPMENT PLAN OBJECTIVES WITH  
MINIMUM UTILIZATION LOCAL GOM FISCAL RESOURCES. IN REPLY TO A  
QUESTION BY OPPOSITION MEMBER G. BONELLO D PUIS, FOR EXAMPLE,  
REGARDING TOTAL LOANS RAISED BY THE GOM SINCE MALTA LABOR PARTY  
(MLP) TOOK OFFICE IN JULY 1971 AND REPAYMENT CONDITIONS,  
ABELA GAVE THE FOLLOWING ANSWER: " 1,733,997 MALTA POUNDS IN  
1972, CASH PORTION OF THE LOAN BY THE PEOPLE'S REPUBLIC OF  
CHINA. NO INTEREST IS DUE AND REPAYMENT BECOMES DUE BETWEEN  
1984 AND 1994. 983,611 MALTA POUNDS, IN 1973, FROM ITALY WHERE  
ARRANGEMENTS MADE FOLLOWING THE BASE RENT AGREEMENT WITH THE  
BRITISH GOVERNMENT. THE RATE OF INTEREST IS 2.86 PERCENT AND  
REPAYMENT IS DUE BETWEEN 1977 AND 1986. ONE MILLION MALTA POUNDS  
FROM THE RESETTLEMENT FUND OF THE COUNCIL OF EUROPE FOR SLUM  
CLEARANCE. THE INTEREST RATE IS 3  
PERCENT AND REPAYMENT IS DUE BETWEEN 1979 AND 1989. ABELA REMINDED  
BONELLO DU PUIS THAT IN 1971 GOM REPAID GOVERNMENT LOANS AMOUNTING  
TO 5,255,824 MALTA POUNDS. FURTHERMORE, SHORT TERM BORROWING  
BY THE TREASURY, WHICH EXCEEDED 6.8 MILLION MALTA POUNDS ON  
JULY 1, 1971, HAS BEEN WRITTEN OFF. IN OTHER WORDS, ACCORDING  
TO ABELA, IN JUST OVER TWO YEARS MLP ADMINISTRATION  
HAS SUCCEEDED IN ELIMINATING 2 MILLION MALTA POUNDS OF DEBT  
INHERITED FROM PREVIOUS ADMINISTRATION WHILE DEVELOPMENT PROJECTS  
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PAGE 03 VALLET 02055 181819Z

ARE BEING FINANCED BY INTERNATIONAL LOANS WHICH ARE EITHER  
INTEREST FREE OR AT LOW RATES OF INTEREST . (U.S., CANADIAN AND  
OTHER LOANS WHICH HAVE BEEN OFFERED ARE NOT INCLUDED IN ABELA'S  
LIST BECAUSE THEY HAVE NOT RPT NOT YEAR BEEN IMPLEMENTED.)  
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## Message Attributes

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